

Sydney Prime Residential Insight

Q3 2023

Knight Frank's quarterly analysis of the Sydney prime luxury residential sales and rental markets

knightfrank.com.au/research

Stronger price performance forecast for end of year

◆ Mixed outlook for key economic drivers.

WEALTH TRENDS

Sydney's high-net-worth individual (HNWI) population, otherwise known as the millionaire population, grew by 7.7% in 2022, to 482,946 people with net wealth of more than US\$1 million according to the Knight Frank Wealth Sizing Model.

This population in Sydney comprises 21.8% of the total Australian HNWI population, after being a 22.7% proportion five years ago.

Since this time, Sydney's millionaire population has grown by 23.2%, slightly lower than the Australian 28% growth.

The HNWI population is forecast to grow by a further 51.4% in Sydney by the end of 2027, lower than the Australian growth of 71.1% when Sydney is expected to hold a 19.3% share of all Australian millionaires.

The ultra-high-net-worth (UHNW) population in Sydney grew by 7.8% in 2022, to 6,132 people with net wealth of more than US\$30 million.

From 2017, the Sydney ultra-wealthy population has expanded by 23.7%, although behind the Australian growth of 31.3%, where the Sydney share of the Australian UHNW population has diminished from 37.2% to 35.1%.

This ultra-wealthy population is forecast to grow by a further 9.0% over the next five years, slower than the Australian UHNWI growth of 40.9%.

THE ECONOMY

New South Wales recorded economic growth of 1.8% in 2022 while Sydney's unemployment rate stood at 3.0% in June 2023, trending 30 bps lower than the year earlier. Oxford Economics forecast economic growth to taper back to 1.0% at the end of 2023, 0.4% in 2024 and 2.5% in 2025.

Australia's stock market performance on the S&P/ASX 200 rose in the second quarter of 2023 by 0.4%, to arrive at total change of 9.7% over the past year. The stock market is forecast to record 2.8% by the end of 2023, and a further 2.8% in 2024 and by 4.8% in 2025.

Business conditions diminished 7.5 pts in the June 2023 quarter to +6.5 index points in the NAB business sentiment survey. This was trending close to half the +12.8 pts a year ago.

Company profits across Australia grew 19.3% in 2022, after recording 5.3% growth in 2021. Annual company profits are forecast to fall by 0.5% in 2023, before falling a further 5.8% in 2024, although company profits are expected to recover by 2.3% in 2025.

New private business investment grew by 8.0% in the year to June 2023. This was higher than 7.1% annual growth a quarter earlier, and higher than 2.2% annual growth recorded a year ago.

7.8%

Growth in Sydney's ultra-high-net-worth individuals in 2022

+6 pts

Business conditions index points in June 2023

8.0%

Annual growth in June 2023 of new private business investment

LENDING ENVIRONMENT

The official cash rate on 5 September 2023 continued to see no movement, with a target of 4.10% by the Reserve Bank of Australia. The Oxford Economics forecast for the official cash rate is to be reduced towards an average target of 4.07% by the end of 2024.

In the June 2023 quarter, average mortgage lending rates to owner occupiers increased by 5 bps to 6.32% for a 3-year fixed term loan and rose by 50 bps to 8.52% for a standard variable loan. For investors, a 3-year fixed term increased by 18 bps to 6.50%, and a standard variable loan rose by 50 bps to 9.10%.

Sydney prime established residential

◆ Despite the time on market becoming longer as more homes were listed, the volume of prime residential properties sold this quarter and prices were trending higher.

-33%

Sydney prime residential sales volume in June 2023 compared to a year ago

1.7%

The change in Sydney's prime residential values in the year to June 2023

13.1%

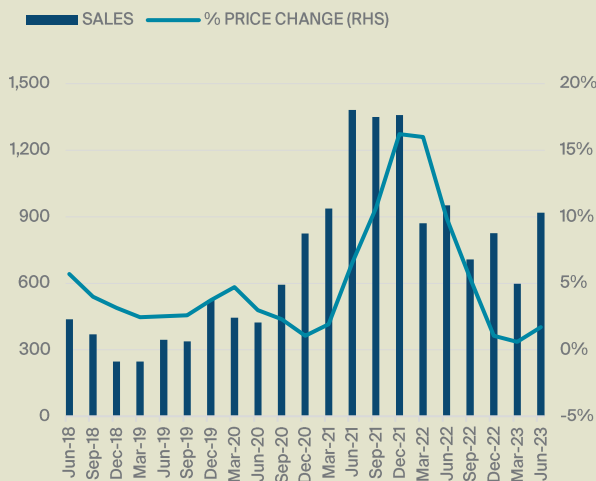
Annual prime residential rental growth in June 2023 in Sydney

SALES & PRICE PERFORMANCE

- ◆ Sales volume trended 54% higher in the June 2023 quarter with 918 prime residential homes sold in Sydney, while the 3,050 annual sales volume was 33% lower than a year ago.
- ◆ The average days on market for prime residential home stood at 74 days in the June 2023 quarter. One quarter ago, this was 65 days.
- ◆ Over the year ending June 2023, prime residential prices increased 1.7% and were up 0.4% in the past quarter.
- ◆ Prime prices are forecast to change by 3% at the end of 2023, 5% in 2024 and 7% in 2025 according to Knight Frank Research.

Sydney Prime Residential Sales & Prices

No. prime sales per quarter & % annual prime price change



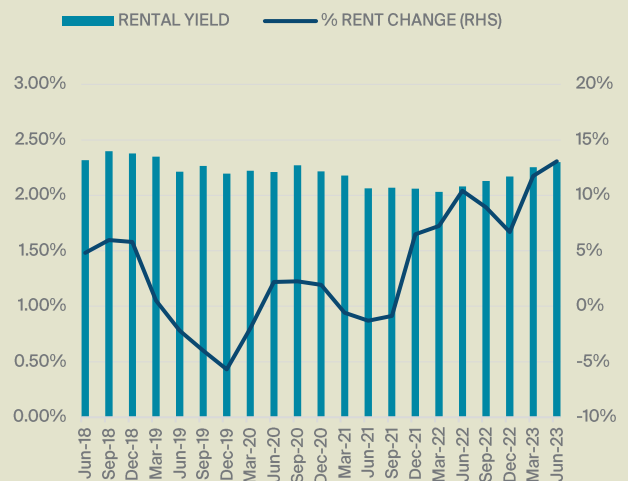
Source: Knight Frank Research

RENTAL MARKET

- ◆ Gross rental yields for Sydney prime residential properties increased by 5 bps, to 2.30%, in the second quarter of 2023.
- ◆ Rents rose 3.2% for prime residential homes in the quarter to June 2023, and over the past year were up 13.1%.
- ◆ Looking forward, Knight Frank Research forecast prime rents to rise by 18% in 2023, with 12% growth likely in 2024 and 7% in 2025.

Sydney Prime Residential Rents & Yields

Prime gross rental yield & % annual prime rental change



Source: Knight Frank Research

Sydney prime residential forecast

Key Drivers Forecast

	2021	2022	2023f	2024f	2025f	2023-2025f AVE
Economic Growth	4.4%	2.2%	🔻 1.0%	🔻 0.4%	📈 2.5%	🔻 1.3%
Unemployment Rate	5.1%	3.7%	● 3.7%	🔻 4.3%	🔻 4.3%	🔻 4.1%
Cash Rate Target	0.1%	1.2%	🔻 3.8%	🔻 3.9%	🔻 2.9%	🔻 3.6%
Stock Market	17.5%	-1.7%	📈 2.8%	📈 2.8%	📈 4.8%	📈 3.5%
Company Profits	5.3%	19.3%	🔻 -0.5%	🔻 -5.8%	🔻 2.3%	🔻 -1.3%

Source: Oxford Economics

Sydney Prime Residential Forecast

	2021	2022	2023f	2024f	2025f	2023-2025f AVE
Prime Price Performance	16%	1%	📈 3%	📈 5%	📈 7%	📈 5%
Prime Rental Market	7%	7%	📈 18%	📈 12%	● 7%	📈 12%

Source: Knight Frank Research

All references made to dollars or \$ is Australian Dollars (AUD), unless stated.

We like questions, if you've got one about our research, or would like some property advice, we would love to hear from you.

Recent Research



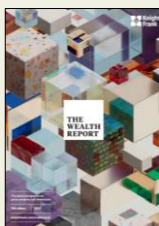
Australian Prime Residential Review



Global Branded Residences Report



The Wealth Report 2023 Wealth Population Edition



The Wealth Report 2023



Residential Research
Michelle Ciesielski
+61 2 9036 6659
michelle.ciesielski@au.knightfrank.com



Residential
Erin van Tuil
+61 2 9036 6699
erin.vantuil@au.knightfrank.com



Residential Site Sales
Grant Bulpett
+61 2 9761 1872
grant.bulpett@au.knightfrank.com



Residential Project Sales
Luke Hayes
+61 2 9036 6700
luke.hayes@au.knightfrank.com



Franchise Partnerships
Sally Edvardsen
+61 2 9036 6845
sally.edvardsen@au.knightfrank.com



Valuations
Alistair Carpenter
+61 2 9036 6662
al.carpenter@au.knightfrank.com